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November 19, 2012

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **MANAGED CAREER SOLUTIONS, INC. – A DEPARTMENT OF  
PUBLIC SOCIAL SERVICES GENERAL RELIEF OPPORTUNITIES FOR  
WORK PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW –  
FISCAL YEARS 2010-11 AND 2011-12**

We completed a review of Managed Career Solutions, Inc. (MCS or Agency), which covered a sample of transactions from Fiscal Years (FY) 2010-11 and 2011-12. The Department of Public Social Services (DPSS) contracts with MCS, a private, for-profit company, to provide General Relief Opportunities for Work (GROW) Program services, including Orientation, Rapid Employment and Promotion activity, and Job Skills Preparation Classes.

The purpose of our review was to determine whether MCS appropriately accounted for and spent GROW Program funds to provide the services outlined in their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid MCS approximately \$500,000 on a fixed fee basis during FY 2010-11. MCS provides services to residents of the First, Second, Third, and Fifth Supervisorial Districts.

### **Results of Review**

MCS recorded and deposited DPSS payments timely, and Agency staff had the required qualifications. However, MCS did not always comply with all of the County contract requirements. Specifically, MCS:

- Did not require three (10%) of the 30 participants reviewed to sign a Welfare-to-Work Plan, and did not give certificates of completion to participants during GROW Orientation as required.

*MCS' attached response indicates that they will ensure participants sign the Welfare-to-Work Plan, and receive a certificate of completion upon completing the GROW Orientation.*

- Did not maintain the required automobile and crime insurance coverage.

*MCS' attached response indicates that they have always complied with the contract insurance requirements. However, during our exit conference, MCS agreed that they did not maintain the required automobile and crime insurance, and obtained the required coverage after our review.*

- Did not notify DPSS of changes to their equipment inventory listing as required. Specifically, MCS did not notify DPSS about 23 (40%) of the 57 items on MCS' inventory list.

*MCS' attached response indicates that they will ensure DPSS is notified of any changes to their equipment inventory.*

- Did not always maintain all required documents (i.e., proof of car insurance, and Employee Acknowledgement and Confidentiality Agreements) in their employees' personnel files.

*MCS' attached response indicates that they will ensure the required documents are maintained in their employees' personnel files.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with MCS on September 17, 2012. In their attached response, MCS management generally agreed with our findings and recommendations. DPSS indicated that they will work with MCS to ensure that the recommendations are implemented.

We thank MCS management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA:JS

Attachment

c: William T Fujioka, Chief Executive Officer  
Sheryl L. Spiller, Director, Department of Public Social Services  
Joseph R. Saldana, Chairperson, Managed Career Solutions, Inc.  
Philip Starr, Psy.D., Executive Director, Managed Career Solutions, Inc.  
Public Information Office  
Audit Committee

**MANAGED CAREER SOLUTIONS, INC.  
GENERAL RELIEF OPPORTUNITIES FOR WORK PROGRAM  
FISCAL YEARS 2010-11 AND 2011-12**

**ELIGIBILITY**

**Objective**

Determine whether Managed Career Solutions, Inc. (MCS or Agency) provided services to individuals who met the General Relief Opportunities for Work (GROW) Program eligibility requirements.

**Verification**

We reviewed the case files for 30 (8%) of the 383 participants who received services during January and February 2012 for documentation to confirm their eligibility for GROW Program services.

**Results**

MCS had documentation to support the 30 participants' eligibility.

**Recommendation**

None.

**PROGRAM SERVICES**

**Objective**

Determine whether MCS provided the services required by their County contract and GROW Program guidelines, and whether the Program participants received the billed services.

**Verification**

We visited MCS' two service sites, and reviewed the case files for 30 (8%) of the 383 participants who received services during January and February 2012.

**Results**

MCS provided the services required by their County contract and GROW Program guidelines. However, the Agency did not require three (10%) of the 30 participants reviewed to sign a Welfare-to-Work Plan, stating that the participant agreed to comply with the GROW Program participation requirements, as required by the County contract.

In addition, MCS did not give certificates of completion to participants during GROW Orientation as required.

**Recommendations**

**MCS management:**

- 1. Ensure all participants sign their Welfare-to-Work Plan.**
- 2. Ensure staff give certificates of completion to participants during GROW Orientation.**

**STAFFING QUALIFICATIONS**

**Objective**

Determine whether MCS' staff had the qualifications required by the County contract.

**Verification**

We reviewed the personnel files for five (33%) of the 15 MCS employees who worked on the GROW Program.

**Results**

MCS' staff had the required qualifications.

**Recommendation**

**None.**

**CASH/REVENUE**

**Objective**

Determine whether MCS recorded revenue in its financial records properly, deposited cash receipts into the Agency's bank accounts timely, and completed and approved the bank account reconciliations as required.

**Verification**

We interviewed MCS management, and reviewed the Agency's financial records and March 2012 bank reconciliations.

**Results**

MCS recorded revenue in their financial records properly, deposited Department of Public Social Services (DPSS) payments into the Agency's bank account timely, and prepared monthly bank reconciliations appropriately.

**Recommendation**

None.

**ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether MCS maintained required internal controls over its business operations, and if the Agency complied with other Program and administrative requirements.

**Verification**

We interviewed MCS personnel, reviewed their policies and procedures manuals, and conducted on-site visits.

**Results**

MCS maintained required internal controls over its business operations. However, MCS did not maintain the required automobile and crime insurance coverage. After our review, MCS obtained the required insurance coverage.

**Recommendation**

3. MCS management maintain the required insurance coverage.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether MCS' fixed assets and equipment purchased with GROW funds were used for the Program, and were adequately safeguarded.

**Verification**

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of 20 items purchased with GROW funds in prior years to verify the items exist, and were being used as required.

**Results**

The items purchased with GROW funds were used for the Program. However, MCS did not notify DPSS of changes to their equipment inventory list as required. Specifically, MCS did not notify DPSS about 23 (40%) of the 57 items on MCS' inventory list.

**Recommendation**

4. MCS management notify DPSS of any changes to their equipment inventory list.

**PAYROLL AND PERSONNEL****Objective**

Determine whether MCS obtained required criminal background clearances and employment eligibility for the Agency's GROW Program staff.

**Verification**

We interviewed staff, and reviewed personnel files for five GROW Program staff.

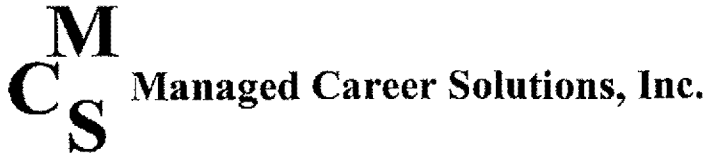
**Results**

MCS appropriately obtained criminal background clearances for the GROW Program staff reviewed. However, MCS did not always maintain required documents in the employees' personnel files. Specifically:

- Four (80%) of the five employee files reviewed did not include current proof of the employees' car insurance, even though the employees drove while performing contract duties. After our review, the Agency obtained current car insurance documentation for three of the employees. MCS indicated the fourth employee no longer works for the Agency.
- All five (100%) employee files reviewed did not include the required Employee Acknowledgement and Confidentiality Agreements.

**Recommendations****MCS management:**

5. Maintain current proof of car insurance for all GROW Program employees who drive while performing contract duties.
6. Ensure all GROW Program employees sign the required Employee Acknowledgement and Confidentiality Agreements.



Philip Starr, Psy.D., C.R.C., A.B.V.E.  
Esteban Magallanes, Psy.D., C.R.C., C.D.M.S.

September 18, 2012

County of Los Angeles  
Department of Auditor-Controller  
Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles CA 90012

**RE: Managed Career Solutions- Department of Social Services General Relief Opportunities For Work Program Provider Contract Compliance Review**

This is to submit our response to the recommendations resulted to the contract compliance review of the General Relief Opportunity for Work (GROW) program.

**Recommendation Ensure all participants to sign their Welfare-to-Work Plan.**

The Welfare to Work Plan is issued by the DPSS GROW Case Worker to the participant and required signature of the participant before submission to the GROW program provider (MCS). However, there were times Welfare to Work Plan was submitted without signature of the participant. We reminded all our staff to check and assure participant signature on the required document before attending the orientation of the GROW program.

**Recommendation Ensure staff present Certificate of Completion to participants upon completion of GROW Orientation.**

We requested Los Angeles County Office of Education (LACOE) to supply us the Certificate of Completion form for us to issue the certificate to the participant and ensure that participant to receive the Certificate upon completion of the GROW orientation.

**Recommendation MCS to maintain the required insurance coverage.**

Please note that MCS as required by the Department of Social Service (DPSS) have always complied submission on annual basis all required insurance coverage. This includes General Liability Insurance, Automobile and Crime insurance coverage.

**Recommendation MCS management notify DPSS of any changes to their equipment inventory list.**

Attached is the copy of most recent updated Equipment Inventory list submitted to DPSS which include County tag number issued by DPSS. MCS will assure that should any addition or deletion in the equipment inventory, updated Inventory List will be submitted to DPSS.



**Recommendation**      **MCS to maintain current proof of car insurance for all GROW Program Employee who drive while performing contract duties.**

Issued a memorandum reminding all GROW Program employee to regularly submit a copy of the updated proof of car insurance.

**Recommendation**      **Ensure all GROW program employee sign the required Employee Acknowledgement and Confidentiality Agreements.**

MCS reprinted the Contractor Employee Acknowledgement And Confidentiality Agreement and required all GROW program employee to sign the agreement. Copy of the updated Confidentiality Agreement is now on the personnel file at the Human Resource Department of MCS.

Should you need additional information, please call my staff Tito Maturan at 213.355.5307.

Thank you.

A handwritten signature in black ink that reads "Philip Starr". The signature is written in a cursive, flowing style.

Philip Starr  
Executive Director